Network Architecture

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NETWORK ARCHITECTURE (REPLY)

I. INTERCONNECTION CHOICES (Issues I-1, I-2, I-3, VII-1, VII-3, VII-4, VII-5)

A. Verizon VA's VGRIP Proposal Should Be Adopted. (Issues I-1, I-2, VII-1, VII-3, VII-4).

As Verizon VA demonstrated in its opening brief, its VGRIP proposal fairly addresses the consequences of each CLEC's own interconnection choice in a way that is consistent with applicable law.[1] Each CLEC, however, has grossly misrepresented Verizon VA's proposal, has not demonstrated how Verizon VA's VGRIP proposal produces costs for the CLECs that are not directly attributable to their own interconnection choices and has misapplied or wholly ignored the applicable law.

For instance, each CLEC places great reliance on 47 C.F.R. § 51.703 to support their contention that VGRIP would result in charges to the CLECs for traffic that originates on Verizon VA's network.[2] This provision provides that a LEC may not assess charges on another carrier for traffic that originates on the LEC's network.[3] The Commission also made clear, however, that a CLEC that chooses a technically feasible but expensive interconnection is responsible for the costs of that interconnection.[4] And, as the Third Circuit recently recognized, that requirement applies in precisely the situation at issue here.[5]

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[1] Verizon VA NA Br. at 2-16.

[2] AT&T Br. at 10, Cox Br. at 7-8, WorldCom Br. at 8-9.

[3] 47 C.F.R. § 51.703(b).

[4] *Local Competition Order* ¶ 199.

[5] *MCI Telecommunications, Inc. v. Bell Atlantic Pennsylvania*, Nos. 00-2257 and 00-2258, 2001 U.S. Appl. WL 1381590, at *21 (3rd Cir. Nov. 2, 2001).

Under the terms of Verizon VA's VGRIP proposal, each CLEC has financial responsibility for the Verizon VA-originated call once it reaches the CLEC IP, which represents the point on the network where financial responsibility for the call shifts from Verizon VA to the CLEC.[6] This point is either at the CLECs' collocation arrangement at a Verizon VA tandem or at an end office in the local calling area. To transport traffic from the CLEC IP to the POI, which is the place where the carriers' wires meet, the CLECs may self-provision this transport, purchase transport from a third-party, or purchase transport from Verizon VA. Because the financial responsibility for the Verizon VA-originated traffic changes hands at the CLEC IP, however, Verizon VA is not charging the CLEC for the facilities as an originating carrier but as a transport vendor. In addition, when the CLEC does not establish an IP for whatever reason, Verizon VA will transport its originating traffic to the CLEC switch but, as discussed in Verizon VA's opening brief, Verizon VA applies an offset to the reciprocal compensation it pays to the CLEC.[7] Accordingly, the VGRIP proposal is fully consistent with 47 C.F.R. § 51.703 because Verizon VA does not charge the CLECs for the costs of the transport that are caused by the CLECs' interconnection decisions unless they decide that they want Verizon VA to impose this cost.

In addition, Verizon VA's proposal also does not conflict with 47 C.F.R. § 51.711, as Cox, WorldCom, and AT&T claim.[8] This provision generally provides that rates for the

[6] Verizon VA' proposed interconnection agreement to AT&T §§ 4.1.3.2 - 4.1.3.4.1; Verizon VA's proposed interconnection agreement to Cox §§ 4.2.2 - 4.2.2.4; Verizon VA's proposed interconnection agreement to WorldCom §§ 7.1.1 - 7.1.1.3.1.

[7] Contrary to the CLECs' suggestions in their briefs, Verizon witness D'Amico explained how Verizon VA would apply the offset. Tr. at 1351.

[8] *See* AT&T Br. at 9-10, Cox Br. at 9, WorldCom Br. at 15. This issue is substantively addressed with AT&T and WorldCom in Issue III-5.

transport of telecommunications traffic subject to § 251(b)(5) will be symmetrical and that if the CLEC's switch serves a geographic area comparable to the ILEC's tandem switch, the CLEC may charge the ILEC's tandem rate.[9] Pursuant to the CLECs' proposal for Issues I-1 and III-5 (Tandem Rate Issue), Verizon VA would be financially responsible for the transport to the distant CLEC switch (Issue I-1), then the CLECs charge Verizon VA the tandem rate for termination and transport from the distant CLEC switch to the CLEC end user customer (Issue III-5). In essence, when Verizon VA delivers its originating traffic to a distant CLEC switch it pays the CLEC for originating and terminating transport. As Verizon VA discussed in its opening brief, there is nothing symmetrical or fair about this compensation arrangement.

Verizon VA's VGRIP proposal does not prevent AT&T, Cox, or WorldCom from charging the tandem rate for terminated switching and transport of the Verizon VA-originated call if that is the appropriate rate to be charged. Wherever the IP and POI are located, as long as the CLECs meet the appropriate test for the tandem rate, that rate applies. Under Verizon VA's VGRIP proposal, the end office rate only applies when the CLEC does not select an IP. Verizon VA's VGRIP proposal leaves it up to the CLECs to decide how they will get Verizon VA's originating traffic from the CLEC IP, where financial responsibility for the call shifts to the CLEC, to the distant CLEC switch.

Each of the CLECs also argues that the VGRIP proposal violates the *TSR Wireless Order*. This is not true. In the *TSR Wireless Order*, the Commission held that a call that originates and terminates in the same major trading area ("MTA"), or the wireless carrier's local calling area, is subject to the Commission's reciprocal compensation rules. The *TSR Wireless Order* requires the LECs to deliver their originated traffic to the wireless carriers' network in the

[9] 47 C.F.R. § 51.711.

MTA.[10] Verizon VA's VGRIP proposal is consistent with the *TSR Wireless Order* because it provides that Verizon VA will be financially responsible for delivering its traffic to an IP located within the local calling area or to a tandem located outside the local calling area, just as the LECs in the *TSR Wireless Order* were financially and physically obligated to deliver the LEC-originated traffic within the MTA.

Contrary to the CLECs' contention, however, the *TSR Wireless Order* did not squarely address the issue of whether the CLECs must be financially responsible for the interconnection costs associated with their decision to locate only one POI in a LATA.[11] The Commission did not address whether the paging carrier was financially responsible for the call once that call left the MTA, the wireless carriers' equivalent of a local calling area.[12] Unlike the situation in the *TSR Wireless Order*, in the present proceeding, the CLECs want Verizon VA to be financially and physically responsible for delivering traffic to their networks when the POI is physically located outside Verizon VA's local calling area.

The CLECs also never adequately address Verizon VA's position that ¶¶ 199 and 209 of the *Local Competition* Order support how VGRIP addresses their decision to locate a single POI in a LATA. Read in conjunction, ¶¶ 199 and 209 provide that the CLECs will make efficient decisions regarding where they will interconnect with an ILEC because they are responsible for the costs of interconnection. Despite its plain language, Cox relies on a very tortured reading of ¶¶ 199 and 209. Cox contends that the "location" or "point on the network" to which the

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[10] *See id.* at ¶ 31.

[11] *See TSR Wireless Order* ¶ 1 (the Commission held that LECs may not charge paging carriers for delivery of LEC-originated traffic within a major trading area or "MTA").

[12] *See NC (AT&T/Bell South) Arbitration Order* at 13.

Commission refers in ¶¶ 199 and 209 does not refer to a geographic location but to "logical locations, such as line side, trunk side, at a tandem or at an end office."[13] The Commission, however, specifically stated that CLECs will make "economically efficient decisions about ***where*** to interconnect"[14] because they must compensate ILECs for the additional costs when the ILECs provide the CLECs interconnection. This paragraph has nothing to do with "line side" or "trunk side" interconnection and everything to do with ***where*** geographically the CLEC chooses to interconnect with the ILEC.

Moreover, the CLECs' reading of ¶¶ 199 and 209 of the *Local Competition Order* completely conflicts with the Third Circuit's recent holding in *MCI Telecommunications Corp v. Bell Atlantic Pennsylvania.*[15] In that decision, the court held that WorldCom may choose the point of interconnection, but if it proves more expensive to Verizon, the Pennsylvania PUC should consider shifting those costs to WorldCom. Indeed, AT&T, Cox, and WorldCom do not even address this decision in their opening briefs. In reaching this decision, the Third Circuit explicitly relied on ¶ 209.[16] This is precisely the issue that Verizon VA is addressing with VGRIP, and the evidence submitted by Verizon VA supports the adoption of this proposal to fairly allocate the costs caused by the CLECs' interconnection choices.

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[13] Cox Br. at 9.

[14] *Local Competition Order* ¶ 209 (emphasis added).

[15] Nos. 00-2257 and 00-2258, 2001 U.S. App. WL 1381590, at *21 (3rd Cir. Nov. 2, 2001).

[16] *See id.*

(1) The Commission Should Reject AT&T's Proposal For Issue I-1. (Issue I-1).[17]

AT&T recognizes that one of the advantages of one-way trunking is that each party has more control over its network facilities, leaving the parties free to choose their respective POI. In fact, AT&T argues that by selecting the POI, the selecting carrier influences both the amount of reciprocal compensation it pays to the other party and its own network origination costs.[18] But, pursuant to AT&T's proposal, it chooses the Verizon VA POI, limiting the Verizon VA POI to the AT&T switch. By choosing the Verizon VA POI, AT&T selects the amount of reciprocal compensation Verizon VA pays to AT&T and Verizon VA's own network and originating costs. AT&T's proposal would permit Verizon VA's competitor to determine how much Verizon VA will pay AT&T in reciprocal compensation and how much of the interconnection costs Verizon VA must bear while AT&T can limit the amount of reciprocal compensation it pays to Verizon VA and the interconnection costs AT&T incurs by selecting its POI almost anywhere on Verizon VA's network.[19] This is not a fair allocation of the costs caused by AT&T's interconnection decision. Indeed, AT&T does not even assert that its proposal is an attempt to allocate these costs fairly.

Verizon VA's proposal, through the use of the POI and IP, provides each carrier with choices and makes each carrier responsible for the attendant financial consequences associated

[17] In its brief, AT&T refers back to its discussion on Issue I-1 for Issues VII-1, VII-3, and VII-4.

[18] AT&T Br. at 5.

[19] AT&T proposed interconnection agreement, Schedule Four, Part B §§ 1.1 - 1.4.

with those choices.[20] Contrary to AT&T's claims, VGRIP does not require AT&T, or any other carrier, to build a network that mirrors Verizon VA's.[21] Pursuant to the options outlined in VGRIP, the IPs may or may not "switch" traffic. Thus, the IP may or may not be the POI. Moreover, Verizon VA may only request an IP if the CLEC has a collocation arrangement at the Verizon VA wire center, thus requiring Verizon VA to "follow" the collocation location chosen by the CLEC. Contrary to its claim, AT&T does not need to "mirror" Verizon VA's network.

The "cost study" offered by AT&T witnesses Talbott and Schell, and relied on by AT&T in its opening brief to demonstrate VGRIP's supposed costs to AT&T, was based on several faulty assumptions and should not be used by the Commission in deciding this issue. AT&T used access rates instead of UNE IOF rates in determining how much Verizon VA's proposal would cost AT&T but used UNE IOF rates when determining how much cost Verizon VA incurs under AT&T's proposal. AT&T Ex. 3P at 37. Pursuant to VGRIP, if AT&T purchased transport from Verizon VA to carry traffic from the AT&T IP to its switch, AT&T would be utilizing a collocation arrangement. Thus, pursuant to Verizon VA's proposal, AT&T could use UNE IOF. In addition, the number of access lines used by AT&T was also exaggerated. Verizon Ex. 18 at 6. Finally, UNE IOF is partly calculated using a per mile factor, while AT&T used a fixed UNE IOF rate in determining its costs under its proposal. AT&T Ex. 3P at 37-38.

AT&T's contract proposal for Issue I-1 also is not consistent with its brief. For example, AT&T's Schedule Four, Part B § 1.5 contemplates a financial demarcation point that is not the

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[20] AT&T contends that Verizon VA's IP concept is a Verizon VA "concoction." As noted in Verizon VA's opening brief, this is a concoction that AT&T used until most recently. In addition, in one of the state orders that AT&T relies upon, the *IA (AT&T/Ameritech) Arbitration Order*, AT&T agreed to establish points of interconnection at each Ameritech tandem in a LATA. *IA (AT&T/Ameritech) Arbitration Order*, at 19 (Issue 4).

[21] AT&T Br. at 9.

POI. This is inconsistent with AT&T's argument in its brief that the POI marks the physical and financial demarcation points for § 251(b)(5) traffic.[22]

(2) The Commission Should Reject Cox's Proposal For Issue I-1. (Issue I-1).

Like AT&T, Cox does not attempt to argue that its contract proposal on Issue I-1 is an attempt to allocate fairly the interconnection costs caused by Cox's interconnection choices. This is because Cox is not concerned with a fair allocation of these costs.

For the arguments that Cox does make, many of the citations to the record upon which it relies are either taken out of context or simply do not support its positions. For example, Cox claims that Verizon VA witness Albert's testimony at the hearing that Verizon VA is "bigger" than Cox supports Cox's contention that "CLECs generate relatively little traffic" on Verizon VA's network, "which means that the relative costs of transporting" this traffic are small.[23] This statement completely ignores the testimony in the record that shows that the biggest growth in traffic on Verizon VA's network is the growth of the CLECs' traffic. Verizon Ex. 4 at 19, 38-39. Cox also claims that Verizon VA "admitted" that mid-span meets "entirely eliminate" any need for VGRIP.[24] This is not what Verizon VA witness D'Amico actually stated. He testified that the comparison between Verizon VA and independent LECs, and Verizon VA and CLECs, in the context of VGRIP and the use of the mid-span meet, was an "apples to oranges" comparison because an independent LEC and Verizon VA have different operating territories. Tr. at 1232-33.

[22] AT&T Br. at 9.

[23] Cox Br. at 10.

[24] Cox Br. at 10-11.

Cox also erroneously asserts that VGRIP imposes significant costs on Cox. Contrary to Cox's contention, pursuant to VGRIP, Cox would not have to collocate in every Verizon VA end office in the Norfolk LATA.[25] Cox repeatedly makes this claim but it is not true. As Verizon VA made clear, there only needs to be one IP per local calling area.[26]

Cox also claims that the transport costs to Verizon VA without VGRIP are minimal for a variety of reasons but then argues that Verizon VA's VGRIP proposal transfers significant costs to Cox.[27] Cox's argument makes no sense. If the transport costs to Cox are significant, it would also follow that these same costs to Verizon VA are also significant. Likewise, if the transport costs to Verizon VA are minimal, as Cox claims, then those costs should also be minimal to Cox.

(3) The Commission Should Reject WorldCom's Proposal In Favor Of Verizon VA's VGRIP Proposal. (Issues I-1, I-2).

Just as Cox and AT&T failed to demonstrate why their proposals properly account for the choices each carrier makes with respect to interconnection, WorldCom also falls short of explaining why this Commission should adopt its proposal. As addressed in Verizon VA's opening brief, WorldCom's contract proposal for Issue I-1 does not address where financial responsibility for traffic shifts on the network.[28] As WorldCom's brief makes clear, it assumes that the POI demarcates both the financial and physical points for the carriers, even when the POI is distantly located from the party who originates the call. By not addressing the financial consequences of this choice for the POI, however, WorldCom, as well as AT&T and Cox, are

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[25] Cox Br. at 11.

[26] Verizon VA proposed interconnection agreement to Cox § 4.2.2.3.

[27] Cox Br. at 14.

[28] Verizon VA NA Br. at 5 n.7.

inviting the Commission to require Verizon VA to subsidize the CLECs' interconnection choices. This is what Verizon VA's VGRIP proposal prevents and contract language such as that proposed by Verizon VA should address this issue.[29]

Moreover, according to WorldCom's argument in support of its contract language, if the POI is not located at WorldCom's switch, then WorldCom charges Verizon VA for the WorldCom facilities Verizon VA must use to get its traffic to WorldCom's switch.[30] This is inconsistent with WorldCom's argument that the POI is the demarcation point for physical and financial responsibility for the call and is inconsistent with WorldCom's criticisms of the Verizon VA VGRIP proposal. In fact, the WorldCom's argument implicitly recognizes that the physical and financial demarcation points may be different, which is a fact that VGRIP explicitly recognizes.

B. In The Event The Commission Does Not Adopt Verizon VA's VGRIP Proposal, The Commission Should Not Allow The CLECs To Charge Verizon VA Distance Sensitive Rates For Transport And Verizon VA Should Have Comparable Interconnection Choices To Interconnect With The CLECs By Collocating At Their Premises. (Issues I-2, I-3, VII-5).

Cox states that the CLECs should be treated as "co-carriers, each of whom derive a benefit from interconnection and each of whom should be required to bear the reasonable cost of it."[31] The CLECs want this treatment, however, only when it is to their benefit. When it would not be to their benefit, such as when Verizon VA is seeking from the CLECs services similar to

[29] Verizon VA proposed interconnection agreement to WorldCom, Interconnection Attachment, §§ 7.1.1 *et seq.* WorldCom contends that Verizon VA's contract language does not limit the amount of IPs. WorldCom Br. at 10-11 n. 4, 18-19. On the contrary, Verizon VA's proposed § 7.1.1.3.1 makes it clear that in "the case of Verizon making such request to MCIm [to designate an IP at an end office], MCIm's obligation to establish an IP at an MCIm Collocation site at a Verizon End Office shall be limited to no more than one (1) such MCIm Collocation site within a given local calling area . . . ."

[30] WorldCom Br. at 9 n. 3.

[31] Cox Br. at 17.

those that Verizon VA must make available, the CLECs do not want this "co-carrier" treatment. They cannot have it both ways. As a matter of fairness, Verizon VA should be given the same choices as the CLECs. That is, without VGRIP, Verizon VA seeks options, just as the CLECs have options, to limit the costs of interconnection that Verizon VA is required to bear as a result of the CLECs' inefficient interconnection decisions. Thus, if VGRIP is not adopted, Verizon VA should be allowed to collocate at CLEC facilities if space is available at those facilities.

The CLECs claim that if Verizon VA has a mid-span meet "option" available to it, there is no need for Verizon VA to collocate at CLEC facilities.[32] The CLECs overstate this point. If Verizon VA were able to establish mid-span meets with the CLECs on terms and conditions agreeable to Verizon VA, then the mid-span meet obviates the need for Verizon VA to collocate at CLEC facilities. Tr. at 1136-37. This is not the CLECs' position. As discussed in Issue III-3, the CLECs want the unilateral ability to dictate how to establish the mid-span meet. Thus, if the CLECs dictate the mid-span meet to Verizon VA, Verizon VA does not have an alternative option that satisfactorily limits Verizon VA's interconnection costs.

In addition, if the Commission does not adopt Verizon VA's VGRIP proposal, the CLECs should not be permitted to charge Verizon VA distance sensitive rates for transport because Verizon VA is limited in where it may deliver its originated traffic. This result is embedded in fairness and is consistent with the CLECs' desire to be treated as "co-carriers." Despite the CLECs' representations to the contrary, Verizon VA typically cannot self-provision to CLEC facilities because the CLECs do not allow Verizon VA to collocate at their facilities

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[32] Cox Br. at 29; AT&T Br. at 33-34 nn. 104 and 105. If the CLECs can unilaterally dictate the mid-span meet, dictate the location of the POI without assuming any financial responsibility for that choice, and refuse to provide collocation at their available facilities, then Verizon VA does not have any options, let alone comparable options.

and will not establish a mid-span meet on terms agreeable to Verizon VA. Tr. at 1137-38, 1268-70. If the CLECs' truly wish to be treated as "co-carriers" with Verizon VA, they should be willing to offer to Verizon VA the same opportunities they have to limit their interconnection costs.

C. AT&T Issues VII-1 and VII-3.

For the reasons addressed in Verizon VA's opening brief, the Commission should recognize the distinction between POI and IP, which is Issue VII-3.[33] With respect to Issue VII-1, AT&T contends in its brief that it should be allowed to interconnect with Verizon VA at "POP hotels" and at a customer premise. AT&T labels this type of interconnection as "intra-building interconnection."[34] The only reason AT&T can interconnect with Verizon VA at "POP hotels" is because of the unique conditions created by the divestiture where Verizon VA and AT&T have wire centers in the same building.[35] Nevertheless, no other carrier can interconnect with Verizon VA at a POP hotel because Verizon VA does not have adjacent central offices within the same building with any other carrier. Thus, Verizon VA should not be required to provide AT&T intra-building interconnection because Verizon VA would be discriminating against other carriers who do not have central offices in the same building as Verizon VA.

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[33] Verizon VA NA Br. at 20-23.

[34] AT&T Br. at 67.

[35] AT&T Br. at 67.

II. TANDEM ISSUES (I-4 (I-1-a), III-1, III-2, IV-1, V-16)

A. The CLECs Should Establish Direct End Office Trunks Once Their Traffic Reaches The DS-1 Level At The Tandem As An Appropriate, Non-Discriminatory Limitation. (Issue I-4).

Cox and AT&T misconstrue Verizon VA's proposal for addressing tandem exhaust through direct end office trunking. Verizon VA's proposal does not affect Cox's or AT&T's ability to select a POI. If they wish to do so, they may interconnect with Verizon VA at a single POI per LATA. But they cannot do this without regard to the impact of this decision on Verizon VA's existing network or without regard to the rules Verizon VA places on itself for using its network. Verizon VA's proposal simply applies these rules to the CLECs.

AT&T entirely misses this point when it complains that Verizon VA's proposal for Issue I-4 limits the CLECs to a "one-size-fits-all network."[36] This is not true. AT&T may design its own network as it sees fit. But, to the extent it relies on Verizon VA's network, it must accept and work with that network as it is. As the Eighth Circuit held, "[n]othing in the statute requires the ILECs to provide superior quality interconnection to its competitors."[37]

In their opening briefs, Cox and AT&T argue that Verizon VA's claim of potential tandem exhaust is not really a problem.[38] Cox, for example, contends that installing new tandems is "routine," then it argues that the installation of 24 new tandems throughout the Verizon East territory is not a significant number of new tandems.[39] As Verizon VA demonstrated in its pre-filed testimony and at the hearing, however, installing new tandems is

[36] AT&T Br. at 24.

[37] *Iowa Utilities II*, 219 F.3d at 757-58.

[38] AT&T Br. at 27, Cox. Br. at 23.

[39] Cox. Br. at 23-24.

anything but "routine." Verizon VA must "re-home" end offices to the new tandem, and must re-route trunks for all the carriers who use and interconnect with Verizon VA at the tandem. Moreover, the cost for each new tandem is around \$10 - \$12 million, and it could take anywhere from twelve months to three years to install. In addition, when Verizon VA installs a new tandem, all the carriers who utilize Verizon VA's network incur additional costs to re-home and re-route traffic. Tr. at 1102-04.[40]

AT&T argues for an injunction-like standard that Verizon VA must satisfy before requiring the CLECs to abide by the engineering standards that Verizon VA satisfies every day. AT&T contends that Verizon VA must demonstrate that allowing CLECs to interconnect at Verizon VA's tandems beyond the DS-1 threshold would cause "irreparable harm."[41] This is not the appropriate standard.

Pursuant to § 251(c)(2)(C), Verizon VA must allow CLEC interconnection "that is at least equal in quality to that provided by the local exchange carrier to itself . . . or to any other party to which the carrier provides interconnection." Verizon VA imposes the DS-1 threshold on itself when it routes traffic between different end offices or tandems in its own network. It is not up to Verizon VA to prove that allowing CLECs to interconnect beyond the DS-1 threshold at the tandem would cause "irreparable harm." Verizon VA only needs to prove that it provides the same quality of interconnection to the CLECs as it provides to itself. This is exactly what the Verizon VA proposal does: when a Verizon VA trunk group reaches the DS-1 level at the

[40] Cox also seems to argue that Verizon VA does not negotiate the DS-1 threshold with CMRS providers. Cox Br. at 24. This is incorrect. Verizon VA witness Albert testified that when Verizon VA negotiates agreements with CMRS providers, it attempts to implement this threshold. Tr. at 1108.

[41] AT&T Br. at 26.

tandem, Verizon VA directly routes this traffic to the appropriate end office.[42] Verizon VA expects that the CLECs should abide by the same routing guidelines. Indeed, requiring this is not a hardship on AT&T given the number of direct trunks it already has established to Verizon VA's end offices.

As Verizon VA demonstrated at the hearing, what drives the Verizon VA tandems to exhaust is the increase in the CLEC traffic at the tandem. Verizon VA witness Albert explained that the largest growth on Verizon VA's network is the increase in CLEC traffic at the tandem. Tr. at 1276-77. Thus, not only has Verizon VA demonstrated that its proposal is consistent with how Verizon VA routes its own traffic, Verizon VA's proposal is also necessary to alleviate Verizon VA's legitimate tandem exhaust issues.[43] As such, the Commission should adopt Verizon VA's proposed contract language relating to Issue I-4.

B. WorldCom Tandem Exhaust Issues: Direct End Office Trunking, The Inter-Tandem Routing Issues, And The 240 Trunk To The Tandem Limitation. (Issue I-4).

For the reasons discussed in Verizon VA's opening brief, the Commission should adopt Verizon VA's proposed language for Issue I-4 with respect to WorldCom.[44]

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[42] In footnote 97 of its brief, AT&T contends that when AT&T establishes direct end office trunks, "AT&T has the right to overflow traffic through Verizon's tandem -- just as Verizon provides for its traffic." AT&T Br. at 30 n. 97. As long as AT&T meets the design criteria that Verizon VA imposes on itself for overflow traffic to the tandem, an ECCS of 5, then Verizon VA has no problem with AT&T sending its overflow traffic through the tandem when it establishes direct end office trunks.

[43] As Verizon VA demonstrated, the DS-1 threshold is important in maintaining its network. Verizon VA is willing to modify this threshold such that the CLECs would not have to establish a direct end office trunk unless they reached the DS-1 threshold for three months out of a six month period.

[44] Verizon VA NA Br. at 29-33.

C. AT&T and WorldCom Should Establish A Direct Connection With Third-Party Carriers Once The Level Of Traffic To That Third-Party Carrier Reaches The DS-1 Threshold. (Issues III-1, III-2, IV-1).

AT&T and WorldCom claim that because they have the duty to interconnect with other carriers -- directly or indirectly -- Verizon VA has the obligation to provide transit services indefinitely and at TELRIC-based rates.[45] Both CLECs misread § 251(a)(1) and ignore §§ 251(b)(5) and 252(d)(2)(A). What AT&T's and WorldCom's proposals on transit traffic really do is help these CLECs avoid their interconnection duty with third-party carriers. By trying to have Verizon VA provide transit traffic services indefinitely and at unlimited traffic volumes, AT&T and WorldCom are avoiding their own duty to have interconnection agreement with these third parties.[46]

Contrary to the CLECs' suggestions, the Act requires that they establish billing arrangements with third-party carriers for traffic that originates on their network. These billing arrangements must result from interconnection agreements. Section 251(b)(5) requires all carriers to establish reciprocal compensation arrangements and those arrangements will be considered "just and reasonable" only if those calls "originate on the network facilities of the other carrier."[47] By its very definition, transit traffic does not originate on Verizon VA's facilities; it originates on the CLECs' facilities. Thus, if Verizon VA engages in compensation

[45] AT&T Br. at 25, WorldCom Br. at 26-27.

[46] AT&T contends that § 251(c)(2)(A) obligates Verizon VA to provide for the "transit and routing" of telecommunications traffic. AT&T Br. at 35. AT&T's statement misquotes the Act and is misleading; this section of the Act provides that Verizon VA must interconnect with CLECs for the "transmission and routing" of telecommunications traffic. 47 U.S.C. § 251(c)(2)(A). In paraphrasing this section by substituting the term "transit" -- which has a distinct meaning in the context of this issue -- in place of "transmission" -- which is a more generic term -- AT&T seems to argue that the Act specifically requires ILECs to provide transit services when a review of the Act's particular language indicates that it does not.

[47] 47 U.S.C. § 252(d)(2)(A).

arrangements with third-party carriers on behalf of CLECs, those arrangements cannot be considered "just and reasonable" because this traffic does not originate on Verizon VA's network. In order to establish billing arrangements with the third-party carriers with whom the CLECs exchange traffic, it naturally follows that they need to enter into a contractual arrangement with the third-party carrier. As stated by Verizon witness D'Amico at the hearing, Verizon VA's tandem transit traffic proposal is intended to encourage the CLECs to establish these arrangements. Tr. at 2213.

AT&T and WorldCom do not offer any persuasive evidence to show that entering into a direct arrangement with third-party carriers would be "highly inefficient and harmful."[48] Apparently, they believe that negotiating with other carriers for the exchange of telecommunications traffic is a waste of resources, (Tr. at 2295) but they have no problem requiring Verizon VA to engage in this process for their benefit. AT&T also claims that it has bill and keep arrangements in place with other carriers when AT&T uses Verizon VA's transit service.[49] If AT&T has bill and keep arrangements in place with other carriers, however, then that presumes that AT&T has reached an agreement with that carrier. Thus, AT&T and that third-party carrier had to enter into negotiations with one another to reach that understanding. Thus, AT&T's own arguments prove that entering into a direct relationship with the third-party carrier is not only possible but it is currently being done by AT&T. AT&T should do so in a way that does not require Verizon VA to be stuck in the middle of those arrangements.

[48] AT&T Br. at 36, WorldCom Br. at 27.

[49] AT&T Br. 36 n. 118.

In support of its various contract proposals for Issues III-1, III-2 and IV-1, WorldCom mistakenly argues that transit service merely involves UNE tandem switching.[50] Verizon VA's transit service involves much more than just tandem switching. This service involves tandem switching, routing the traffic to the third party carrier using Verizon VA's facilities, and then accounting for this traffic between the three parties involved in the transit service -- WorldCom (the originating or terminating carrier), Verizon VA (the go-between) and the third-party carrier (who receives or sends the traffic to or from WorldCom).

Finally, it is interesting to note that the CLECs complain that Verizon VA's network is antiquated in their arguments relating to Issue I-1, but then they argue on the tandem transit issues that they must use Verizon VA's network for interconnection with third-party carriers because it is efficient.[51] With respect to Issue I-1, the CLECs claim that their long loops and fewer switches model is efficient, but their argument with respect to Issue III-1 implies that their "efficient network" does not permit them to interconnect directly with a third-party carrier. The CLECs cannot have it both ways: they cannot argue that their network is efficient and then claim that they must use Verizon VA's network because it would be inefficient to use theirs.

D. Once The Level Of Tandem Transit Traffic Goes Beyond The DS-1 Level, Verizon VA Should Be Permitted To Charge Market-Based Rates. (Issue III-2).

AT&T claims that because Verizon VA's transit service is "nothing more than the provision of indirect interconnection by the ILEC," then it follows that Verizon VA must provide this service at cost to AT&T pursuant to § 252(d).[52] This is a specious argument because as

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[50] WorldCom Br. at 27-28.

[51] WorldCom Br. at 29.

[52] AT&T Br. at 37.

Verizon VA demonstrated in its opening brief, Verizon VA is not required to provide this service at all to AT&T.[53] Instead, Verizon VA, as an accommodation, assists AT&T in satisfying its statutory obligation to interconnect with other carriers by offering AT&T, and WorldCom, the transit service. In addition, Verizon VA goes beyond its legal obligations by facilitating AT&T and WCOM's entry into the local telecommunications market by providing this service at UNE rates up to the DS-1 level.

Unlike AT&T, WorldCom claims that Verizon VA's transit service is nothing more than tandem switching so that it should always be provided at UNE rates.[54] Although this is a different position than AT&T's, it is just as flawed. As demonstrated above, Verizon VA's transit service is much more than UNE tandem switching. WorldCom's argument ignores that Verizon VA must transport this traffic to the third-party carrier and must incur additional work associated with the billing. If the transit service was merely UNE tandem switching then more carriers would have ordered tandem switching from Verizon VA. As Verizon witness Albert testified at the hearing, no CLEC has ordered tandem switching. Tr. at 2274.

In offering tandem transit service to the CLECs at rates equivalent to those in the parties' respective interconnection agreements when the traffic is below the DS-1 level, Verizon VA goes beyond its requirements under the Act. By charging market-based rates above the DS-1 threshold, Verizon VA is attempting to provide an incentive to the CLECs to enter into direct arrangements with these third-party carriers. AT&T and WorldCom, however, want to evade their statutory duty to enter into compensation arrangements with other carriers and force

[53] Verizon VA NA Br. at 37-38.

[54] WorldCom Br. at 31.

Verizon to provide this service at below-market rates. The Commission should not permit the CLECs to evade this duty and should adopt Verizon VA's proposal.

E. The CLECs Should Enter Into Billing Arrangements With Third-Party Carriers With Whom They Exchange Traffic (Issues III-1, III-2, IV-1).

AT&T and WorldCom want Verizon VA to act as their billing and collecting agent with third-party carriers indefinitely.[55] Sections 251(b)(5) and 252(d)(2)(A), however, require AT&T and WorldCom to enter into direct arrangements with other carriers and not rely on Verizon VA to act as the go-between. The CLECs should not be permitted to circumvent the Act by forcing Verizon VA to act as their billing and collecting agent.

The *GA (WorldCom/Bell South) Arbitration Order* that WorldCom relies on to support its proposed contract language on the tandem transit issue does not really support WorldCom's position generally, and certainly does not do so on the specific issue of having the ILEC act as the billing and collecting agent. WorldCom's proposed contract language in Georgia was similar to the language proposed in this proceeding. The Georgia PSC modified WorldCom's proposal to require WorldCom to enter into an interconnection agreement directly with the third-party carrier and recognized that billing and collecting transit service creates work for BellSouth such that WorldCom must compensate BellSouth for the work it performs on WorldCom's behalf.[56] WorldCom's proposed contract language here does not reflect these modifications, notwithstanding WorldCom's representations to the contrary. Verizon VA's proposed language

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[55] In addition to the reasons discussed herein, Verizon VA relies on the arguments raised in its opening brief. Verizon VA NA Br. at 38-41.

[56] *GA (WorldCom/BellSouth) Arbitration Order* at 14. Contrary to WorldCom's suggestion, Verizon VA does incur extra work as a result of the transit traffic on Verizon VA's network. WorldCom Br. at 44-45. If the third-party carrier receives WorldCom's originating traffic on Verizon VA's network, that carrier will bill Verizon VA for reciprocal compensation. Verizon VA must then turn around and bill WorldCom in order to make itself whole. If this traffic were not on Verizon VA's network, Verizon VA would not have to account for it and would not be billed by WorldCom or the third-party carrier.

provides the appropriate incentives for WorldCom to enter into the third-party agreements that the Georgia PSC recognized were necessary while also requiring WorldCom to do its own billing and collecting instead of getting it for free from Verizon VA.

A very recent decision from this Commission further supports Verizon VA's position that it should not have to provide free billing and collecting services to WorldCom. In *TexCom, Inc. v. Bell Atlantic Corp.*, a CMRS provider argued that the LEC, now known as Verizon, could not charge the CMRS provider for transit traffic. The Commission rejected this argument, holding that Verizon could charge the CMRS provider for the traffic that transited Verizon's network:

> [W]e interpret our rules to allow a LEC to charge a paging carrier for traffic that **transits** the LEC's network and terminates on the paging carrier's network as long as the traffic does not originate on the LEC's network . . . . Where the LEC's customers do not generate the traffic at issue, those customers should not bear the cost of delivering that traffic from a CLEC's network to that of a CMRS carrier.[57]

This same analysis supports Verizon VA's position that the Commission should reject WorldCom's proposed position on transit services.

F. <u>AT&T Should Have A Reciprocal Duty To Provide Transit Services To Verizon VA. (Issue V-16).</u>

For the reasons discussed in Verizon VA's opening brief, the Commission should adopt Verizon VA's proposed contract language for Issue V-16.[58]

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[57] *TexCom, Inc. v. Bell Atlantic Corp.*, 2001 WL 1504282, ¶¶ 5, 6 FCC No. 01-347 (rel. Nov. 28, 2001) (emphasis in original).

[58] Verizon VA NA Br. at 41.